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TWENTY-NINTH ANNUAL REPORT
OF
REPUBLIC IRON & STEEL COMPANY
YOUNGSTOWN, OHIO

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1928

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MAR 25 1929

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TWENTY-NINTH ANNUAL REPORT
OF
REPUBLIC IRON & STEEL COMPANY
YOUNGSTOWN, OHIO

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1928

REPUBLIC IRON & STEEL COMPANY

EXECUTIVE OFFICES

AND

GENERAL OFFICES

REPUBLIC BUILDING, YOUNGSTOWN, OHIO

PRINCIPAL OFFICE IN THE STATE OF NEW JERSEY

1 EXCHANGE PLACE, JERSEY CITY

REGISTRAR OF STOCK

CHASE NATIONAL BANK, NEW YORK

TRANSFER AGENT

THE NEW YORK TRUST COMPANY, NEW YORK

338.7
R29
1928

R E P U B L I C I R O N & S T E E L C O M P A N Y

DIRECTORS

Term Expires 1929	Term Expires 1930	Term Expires 1931
GEORGE M. HUMPHREY	JOHN S. BROOKES, JR.	HARRY W. CROFT
WILLIAM G. MATHER	CYRUS S. EATON	HARRY T. GILBERT
JOHN A. TOPPING	EDWARD B. GREENE	JOHN T. HARRINGTON
MYRON A. WICK	HOWARD M. HANNA	ELMER T. MCCLEARY
PHILIP WICK		HARRY L. ROWND

OFFICERS

JOHN A. TOPPING	. . . . .	Chairman
ELMER T. MCCLEARY	. . . . .	President
HARRY L. ROWND	. . . . .	Vice President
HARRY T. GILBERT	. . . . .	Vice President
WILLIAM M. NECKERMAN	. . . . .	Vice President
JOHN U. ANDERSON	. . . . .	Treasurer
RICHARD JONES, JR.	. . . . .	Secretary and General Counsel

EXECUTIVE COMMITTEE

JOHN A. TOPPING	GEORGE M. HUMPHREY
CYRUS S. EATON	JOHN T. HARRINGTON
ELMER T. MCCLEARY	

25 mar 29 dex 9 1928 v. 29 cont. 5B

REPUBLIC IRON & STEEL COMPANY

YOUNGSTOWN, OHIO

TO THE STOCKHOLDERS:

The Board of Directors of your Company submits herewith the Twenty-Ninth Annual Report for the fiscal year ending December 31, 1928.

Net income for the year 1928 applicable to dividends after all charges, including interest, depreciation, depletion and Federal Taxes, amounts to \$4,642,450.11, which, after preferred dividends, is \$5.61 per share on the average number of common shares outstanding during the year.

Unfilled orders on the books of the Company, December 31, 1927, were below normal, and the demand for steel products manufactured by your Company did not show a substantial increase until late in the second quarter of the year, which increase continued during the last six months.

The purchase of The Trumbull Steel Company's properties at Warren, Ohio, consummated April 30, 1928, adds to your Company's products tin plate, hot and cold rolled strip, special sheets, and provides an outlet for surplus semi-finished steel produced at the steel plants at Youngstown.

Your Company secured control of Steel and Tubes, Inc. October 1, 1928, through the purchase of all the common stock of that Company, the plants of which are located at Cleveland, Elyria and Toledo, Ohio, and Brooklyn, New York, and a new plant at Detroit, Michigan, nearing completion. The products of Steel and Tubes, Inc., enter into many lines of manufacture and give your Company a greater diversification. No earnings of Steel and Tubes, Inc., for the year 1928 are included and only net profits resulting from the operation of Trumbull Steel properties since April 30, 1928, the date of acquisition, are included in the Net Income of your Company for the year.

In adjusting our books as at April 30, 1928, and in closing the books at the end of the year, it was the judgment of your Board of Directors and Officers that our Surplus Account should be charged with \$6,208,702.15, which is detailed in the statement attached hereto.

The Stockholders of the Company at a special meeting held January 25, 1928, among other things approved the recommendation of the Board of Directors to change the authorized and issued common stock from 300,000 shares of the par value of \$100 each to 300,000 shares without par value, each share of outstanding common stock of the par value of \$100 each to be exchanged for one (1) share of the common stock without par value; and further approved an increase of the common stock to 1,000,000 shares without par value, so that the total amount of the Company's authorized capital stock is 250,000 shares of preferred stock of the par value of \$100 each and 1,000,000 shares of common stock without par value.

During the year, from time to time, the common stock outstanding was increased from 300,000 shares to 691,251 shares as at December 31, 1928. The shares were issued in connection with the purchase of all of the properties of The Trumbull Steel Company and in connection with our Company's investment in Steel and Tubes, Inc.

In order to provide funds to meet the requirements of the Company's expanding business and for major improvements, Common Stockholders of the Company were given the right to subscribe at \$65 per share for additional shares of the unissued Common Stock on the basis of one new share for each six shares held at the close of business December 15, 1928, payment to be made on or before January 3, 1929. Practically all of the rights were exercised, which resulted in the issuance to Stockholders of 112,397 shares, which amounts to \$7,305,805.00. This transaction is not reflected in the Balance Sheet hereto attached, except to the extent of \$334,685.00, as practically all of the stock was issued and the cash received early in January, 1929.

The plants of your Company have been maintained in good physical condition and are now operating at a satisfactory rate. The outlook is promising for a continuance of good business.

The Board of Directors takes pleasure in expressing its appreciation to the officers and employees of the Company, for the loyal and efficient service rendered by them during the past year.

BY ORDER OF THE BOARD OF DIRECTORS

JOHN A. TOPPING, *Chairman*E. T. MCCLEARY, *President*

INCOME ACCOUNT

For the Year Ended December 31, 1928

Profit from operations after deducting Cost of Sales including charges for repairs and maintenance of plants in the amount of \$5,282,369.40 and Selling, General and Administrative Expense		\$8,943,352.56
Earnings from Investments and Other Income		830,275.29
		<hr/>
TOTAL PROFIT		\$9,773,627.85
Less:		
Provision for Depreciation of Manufacturing Plants and exhaustion of Minerals and Mining Equipment	\$2,709,757.94	
Interest and Annual Amortization of Bond Discount	1,659,309.72	
Other Deductions from Income	262,110.08	4,631,177.74
		<hr/>
PROFIT BEFORE PROVIDING FOR FEDERAL TAXES		\$5,142,450.11
Provision for Federal Income Tax-Estimated		500,000.00
		<hr/>
NET PROFIT		<u><u>\$4,642,450.11</u></u>

BALANCE SHEET

December 31, 1928

A S S E T S

CURRENT

Cash on Deposit	\$4,641,470.12	
Notes and Acceptances Receivable	263,058.85	
Accounts Receivable-Customers	\$6,952,624.79	
Less: Allowance for Doubtful, etc.	310,933.60	6,641,691.19
Inventories of Raw Materials, Supplies and Products on hand and consigned, valued at the lower of cost or market	15,872,930.39	\$27,419,150.55

INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

11,584,799.11

OTHER INVESTMENTS

Investments, Securities and Advances	2,057,103.88
--------------------------------------------	--------------

OTHER ASSETS

Miscellaneous Accounts Receivable, Advances, Deposits and Funds	262,854.33
--------------------------------------------------------------------------	------------

PERMANENT

Ore and Coal Property, Plant Sites, Buildings, Machinery, Equipment, etc., at book value	\$135,392,387.98	
Less: Allowances:		
For Depreciation of Plants and Equipment	\$17,445,162.93	
For Exhaustion of Minerals and Mining Equipment	6,026,859.69	
For Amortization of Plant Facilities	3,300,000.00	26,772,022.62
		108,620,365.36

DEFERRED

Bond Discount and Expense, Mining Royalties paid in advance, Deferred Stripping Expenditures and Other Prepaid Expenses	1,490,490.15
	<u>\$151,434,763.38</u>

BALANCE SHEET

December 31, 1928

LIABILITIES

CURRENT

Accounts Payable for Purchases, Expenses, Pay Rolls, etc.....		\$3,562,353.25	
Dividend Payable January 2, 1929 on Preferred Stock.....		437,500.00	
Accrued			
Interest on Funded Debt.....	\$500,130.00		
Taxes, Real and Personal, etc.....	905,837.60		
Federal Income Tax-Current Year (Estimated)	500,000.00	1,905,967.60	\$5,905,820.85

FUNDED DEBT (Outstanding with Public)

10-30 Year 5% Sinking Fund Mortgage Gold Bonds.....	\$9,864,000.00		
Refunding and General Mortgage Sinking Fund 5½% Gold Bonds.....	8,219,000.00	\$18,083,000.00	
First Mortgage 6% Gold Bonds (Trumbull).....	\$12,020,000.00		
Seven Per Cent Gold Debentures (Trumbull).....	2,623,500.00	14,643,500.00	32,726,500.00

RESERVES

For possible additional Federal Taxes, Contingencies, etc.....	\$1,756,214.83		
For Rebuilding, Relining Furnaces and other Operating Reserves.	1,464,644.13		
For Obsolescence of Properties.....	1,000,000.00		
For Insurance-Fire and Accident.....	927,716.05		5,148,575.01

NOMINAL

CAPITAL STOCK

PREFERRED-7% CUMULATIVE

Authorized and Issued 250,000 shares.....	\$25,000,000.00
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COMMON (No Par Value)

Authorized 1,000,000 shares. Outstanding 691,251 shares of which 360-8/15 shares are held in the Treasury. Reserved 207,913 shares for the various subscription rights, conversion privileges and option agreements	
Common Capital.....	\$53,173,511.55

SURPLUS

Balance December 31, 1928.....	29,480,355.97	82,653,867.52	107,653,867.52
			<u>\$151,434,763.38</u>

(Note) The total cash received from sales of Common Stock offered to Stockholders of record December 15, 1928, aggregated \$7,305,805.00, of which amount, \$334,685.00 was received in December 1928 for stock issued during that month and the balance of \$6,971,120.00 was received and recorded on the books of the Company in January, 1929.

STATEMENT OF SURPLUS

December 31, 1928

BALANCE December 31, 1927—as shown by Published Report.....			\$34,904,445.01
DEDUCTIONS			
Writing off investment in Ore Property and Mining Equipment.....	\$1,915,309.19		
Creating Reserve for Amortization of Plant Facilities.....	\$3,300,000.00		
Less: Amount previously included in Reserve for Depreciation.....	2,000,000.00	1,300,000.00	
Provision for Obsolescence of Properties.....		1,000,000.00	
Charge for net increase in Reserve for Contingencies and adjustment of Federal Taxes ..		845,170.38	
Amount charged off incident to consolidation with the Trumbull Steel Company.....		472,580.58	
Sundry Investments and Deferred Charges written off.....		307,556.51	
Adjustment of Inventories due to obsolete material.....		131,226.10	
Amortization of Townsite Investment and provision for Royalty Tax on Ore Mines, applicable to prior years.....		143,852.99	
Other Surplus adjustments—Net Charge.....	93,006.40	6,208,702.15	
			\$28,695,742.86
ADDITION			
Net Profit for year ended December 31, 1928, as shown by Income Account.....	\$4,642,450.11		
Less: Dividends			
Preferred—7%	\$1,750,000.00		
Common—\$4.00 per share.....	\$2,107,837.00	3,857,837.00	784,613.11
SURPLUS DECEMBER 31, 1928.....			<u>\$29,480,355.97</u>

CERTIFICATE OF INDEPENDENT AUDITORS

February 18, 1929

Board of Directors and Stockholders,
Republic Iron & Steel Company,
Youngstown, Ohio.

Gentlemen:-

We have examined the books of account and record of REPUBLIC IRON & STEEL COMPANY—YOUNGSTOWN, OHIO, for the year ended December 31, 1928 and submit herewith Balance Sheet as of the date named and Statements of Income Account and Surplus for the year then ended.

Cash Funds, Notes and Acceptances Receivable and Securities Owned were satisfactorily accounted for and Customers' Accounts as stated, were evidenced by trial balance of the individual accounts, sufficient provision having been made in our opinion for doubtful accounts, etc.

The Merchandise Inventory is represented as taken and priced under the supervision of the management and certified by responsible officials of the Company, the method of valuation being the lower of cost or market. Our verification of this Asset consisted of testing the accuracy of computations and method of pricing.

Investments in Affiliated Companies include the substantial interest which the Company owns in Steel & Tubes, Inc., the cost of this investment having been determined by the Cash consideration paid and the value assigned to the Common Stock issued. The Income Account of the Company for the year 1928 contains no earnings from this Investment.

The Properties and Plants of the Company are stated at book value without independent appraisal, less Allowances for Depreciation, Exhaustion and Amortization. Supporting data examined by us evidenced the correctness of charges representing additions to Permanent Asset Accounts during the year under review and provision in the amount of \$2,709,757.94 has been made for Depreciation of Plants and Exhaustion of Minerals and Mining Equipment, by a charge against the year's operating results.

All ascertained Liabilities have been provided for, including Reserves for unsettled Federal Taxes and other Contingencies.

WE HEREBY CERTIFY, that we have examined the books of account and record of REPUBLIC IRON & STEEL COMPANY—YOUNGSTOWN, OHIO, and that, in our opinion, based upon the records examined and information obtained by us and subject to any necessary adjustment upon final determination of the Company's liability for Federal Taxes, the accompanying Balance Sheet correctly sets forth the financial position of the Company as of the close of business December 31, 1928 and the relative Income Account and Statement of Surplus for the year then ended are correct.

Very truly yours,

ERNST & ERNST

Certified Public Accountants

SUMMARY OF PRODUCTION

Iron Ore.....	1,487,812 Gross Tons
Coal.....	1,872,260 Net Tons
Coke.....	1,110,350 Net Tons
Pig Iron.....	943,944 Gross Tons
Bessemer and Open Hearth Ingots.....	1,458,115 Gross Tons
Finished and Semi-Finished Products.....	1,229,396 Net Tons

SHIPMENTS

	Tons
Finished Products.....	993,569
Semi-Finished Products.....	203,000
Pig Iron.....	217,639

INVENTORIES

Finished Products.....	\$ 5,260,465.37
Pig Iron.....	1,279,066.82
Billets, Blooms, Slabs and Sheet Bar.....	1,758,503.02
Ores.....	3,935,278.50
Scrap.....	854,915.64
Ferro-Manganese.....	240,400.59
Fuel.....	317,715.35
Stores and Manufacturing Supplies.....	1,414,238.45
Rolls, Moulds and Stools.....	208,768.98
Pig Tin, Lead, Spelter, etc.....	293,302.00
Miscellaneous Raw Materials.....	310,275.67
	\$15,872,930.39

UNFILLED ORDERS

Finished and Semi-Finished.....	405,929 Tons
Pig Iron.....	90,202 Tons

PROPERTIES, ROLLING MILLS AND FACTORIES

MANUFACTURING PLANTS

Plants	Location
Brown-Bonnell Works	Youngstown, Ohio
Youngstown Steel Works (Bessemer)	" "
Haselton Steel Works (Open Hearth)	" "
Haselton Steel Tube Works	" "
Haselton Rolling Mills	" "
Shafting Works	" "
Niles Works	Niles, Ohio
Indiana Bolt Works	Muncie, Indiana
Sylvan Works	Moline, Illinois
Liberty Works	Warren, Ohio
Warren Works	" "

BLAST FURNACES

	Number of Stacks	Location
Haselton Furnaces	4	Youngstown, Ohio
Pioneer Furnaces	3	Birmingham, Alabama
Total	7	

ORE MINES

NORTHERN:	Location
Cambria No. 1	Negaunee, Michigan
Cambria No. 2	" "
Minckler	Iron River, Michigan
Sherwood	" "
Plumer	Iron Belt, Wisconsin
Kinney	Kinney, Minnesota
SOUTHERN:	
Alfretta Group (4 slopes)	Birmingham, Alabama
Raimund Group (3 slopes)	" "
Houston	" "
Tannehill	" "
Spaulding	" "

COAL AND COKE PROPERTIES

NORTHERN:

	Location
Republic.....	Republic, Pennsylvania
Martin.....	Martin, " "
Bowood.....	Smithfield, " "
Bessemer.....	Russellton, " "
By-Product Coke Works and Benzol Plant.....	Youngstown, Ohio

SOUTHERN:

Warner.....	Birmingham, Alabama
Sayreton.....	" "
Thompson.....	" "
Palos.....	" "
By-Product Coke Works and Benzol Plant.....	" "

LIMESTONE PROPERTIES

SOUTHERN:

	Location
Thomas.....	Birmingham, Alabama
Dale.....	" "

MISCELLANEOUS PROPERTIES OWNED ENTIRELY OR IN PART BY THE COMPANY

CAMBRIA STEAMSHIP COMPANY
 GENERAL WATER COMPANY
 LAKE ERIE LIMESTONE COMPANY
 MAHONING ORE & STEEL COMPANY
 MESABA-CLIFFS IRON MINING COMPANY
 POTTER ORE COMPANY
 REPUBLIC COLLIERIES COMPANY
 REPUBLIC SUPPLY COMPANY
 RUGBY IRON COMPANY
 TOWNSITE MINE
 TRUMBULL-CLIFFS FURNACE COMPANY
 UNION LIMESTONE COMPANY
 UNION ORE COMPANY
 VERMILLION MINING COMPANY
 STEEL & TUBES, INC.
 SUSQUEHANNA ORE COMPANY

LABOR AND EMPLOYMENT

AVERAGE NUMBER OF MEN EMPLOYED

	Year ended Dec. 31, 1928	Year ended Dec. 31, 1927
NORTH:		
Ore Mines.....	122	133
Coal Mines and Ovens.....	1,181	1,180
Furnaces.....	611	647
Works.....	10,712	6,083
	<hr/>	<hr/>
Total North.....	12,626	8,043
 SOUTH:		
Ore Mines.....	501	705
Coal Mines and Ovens.....	539	847
Furnaces.....	359	498
Commissaries.....	27	32
	<hr/>	<hr/>
Total South.....	1,426	2,082
Grand Total.....	14,052	10,125

TOTAL EXPENDED FOR LABOR

Year Ended December 31, 1928.....\$26,702,168.32

PRODUCTS

Pioneer Foundry Pig Iron

Northern Basic and Bessemer Pig Iron

Bessemer and Open Hearth Semi-Finished Steel

Skelp

Merchant Bars and Shapes

Special Sections

Concrete Reinforcing Bars

Railroad Spikes

Bolts, Nuts, Turnbuckles

Old Rail Bars, Angles, Shapes, Fence Posts, Etc.

Hot and Cold Rolled Strip Steel

Black, Blue Annealed, Galvanized, Electrical
and Long Terne Sheets

Corrugated, Crimped and Flat Roofing, Painted or Galvanized

Coke Tin Plate

Tin Mill Black Plate

Lacquered Plate

Black and Galvanized Lap and Butt Welded Tubular Goods

Electrically Welded Tubing

Standard and Oil Country Pipe

Domestic Coke and Coke By-Products

SALES OFFICES

GENERAL SALES OFFICE

YOUNGSTOWN, OHIO

REPUBLIC BUILDING

DISTRICT SALES OFFICES

BIRMINGHAM

Woodward Building

BOSTON

Chamber of Commerce Building

BUFFALO

Liberty Bank Building

CHICAGO

McCormick Building

CINCINNATI

First National Bank Building

CLEVELAND

Hanna Building

DALLAS

Wilson Building

DENVER

Continental Oil Building

DETROIT

Buhl Building

EL PASO

Mills Building

LOS ANGELES

Title Insurance Bldg.

NEW ORLEANS

635 Common St.

NEW YORK

Whitehall Building

PHILADELPHIA

Packard Building

PITTSBURGH

Oliver Building

SAN FRANCISCO

Rialto Building

SEATTLE

Colman Bldg.

ST. LOUIS

Shell Building

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